

INCLUDED IN THIS ISSUE

Crop Weather ERS

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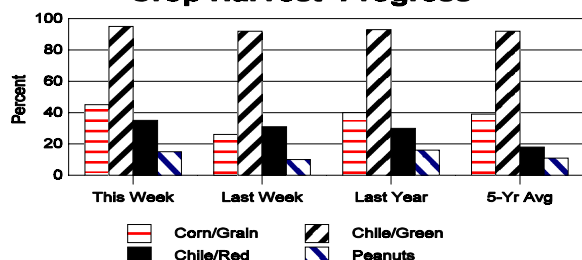
CROP SUMMARY FOR THE WEEK ENDING OCTOBER 6, 2002

NEW MEXICO: There were 6.5 days suitable for field work. Some locations experienced their first freeze of the season late in the week after a cold front passed through the state. Damage was 21% light and 1% moderate. Farmers were busy cutting hay, harvesting vegetables, and maintaining their crops. Corn was in fair to good condition and 45% of the grain harvest was complete. Cotton remained in mostly fair to good condition, with 84% opening bolls and the harvest just starting. Irrigated sorghum was 51% mature and 5% harvested for grain, with conditions listed as fair to good. Dryland sorghum was in very poor to fair condition and was 25% mature. Chile is still listed as fair to excellent, with 95% of the green and 35% of the red harvested. Wheat planting was nearly complete and 84% of the crop was emerged. Alfalfa was reported as 10% very poor, 11% poor, 38% fair, 38% good, and 3% excellent, with 67% of the 6th cutting complete and 24% of the 7th. Ranchers spent the week weaning and shipping cattle, maintaining tanks, and supplementing feed in some areas. Cattle were listed as 5% very poor, 16% poor, 46% fair, 32% good, and 1% excellent. Sheep were reported as 10% very poor, 32% poor, 36% fair, and 22% good. Even with some scattered showers, rangeland growth was slow due to the low overnight temperatures. Conditions were reported as 24% very poor, 46% poor, 26% fair, and 4% good.

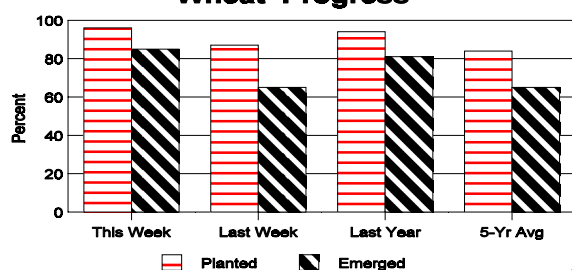
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
APPLES	Harvested	79	60	70	73
CHILE	Harvested-Green	95	92	93	92
	Harvested-Red	35	31	30	18
CORN	Grain-Harvested	45	26	40	39
COTTON	Bolls Opening	84	73	83	86
ONIONS	Planted	48	20	41	47
PEANUTS	Harvested	15	10	16	11
SORGHUM	Mature	35	18	42	33
WHEAT (ALL)	Emerged	85	65	81	65

Crop Harvest Progress



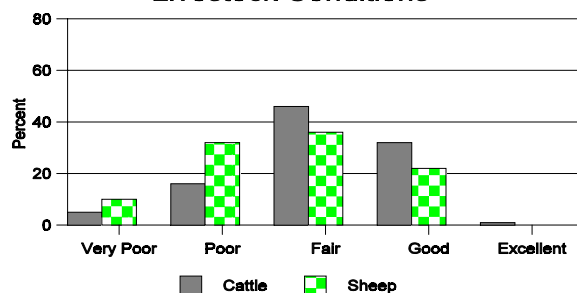
Wheat Progress



CROP AND LIVESTOCK CONDITION PERCENTAGES

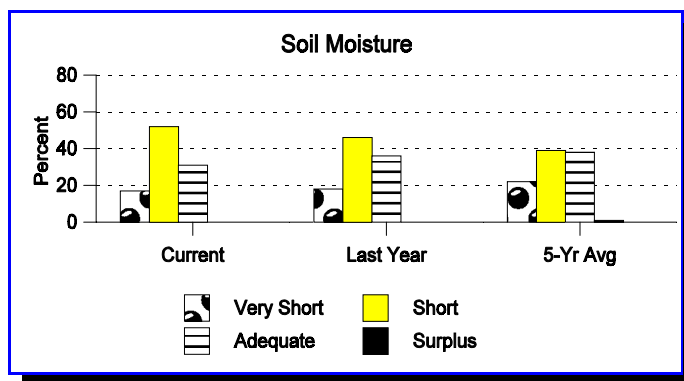
	Very Poor	Poor	Fair	Good	Excellent
Alfalfa	10	11	38	38	3
Chile	--	--	12	61	27
Corn	--	--	35	61	4
Cotton	8	1	27	57	7
Lettuce	--	--	20	46	34
Peanuts	--	--	47	53	--
Pecans	--	--	18	64	18
Sorghum (All)	32	7	47	14	--
Wheat (All)	--	9	44	47	--
Cattle	5	16	46	32	1
Sheep	10	32	36	22	--

Livestock Conditions



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	6	50	44	--
Northeast	12	61	27	--
Southwest	25	75	--	--
Southeast	37	21	42	--
State	17	52	31	--
State-Last Year	18	46	36	--
State-5-Yr Avg.	22	39	38	1



WEATHER SUMMARY

Temperatures for the week were generally a little below normal over the northwest part of the state and slightly above normal in the southeast. Some locations experienced their first freeze of the season on October 4th or 5th after a cold front passed through the state. Just over half of the reporting stations measured some rainfall during the week, although no spots collected as much as an inch. Greatest totals included .85 inches at Roswell, .43 inches at Clayton, .38 inches at Chama, and .35 inches at Farmington.

NEW MEXICO WEATHER CONDITIONS SEPTEMBER 30 - OCTOBER 6, 2002

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	09/30 10/06	10/01 10/06	Normal Oct	01/01 10/06	Normal Jan-Oct
Carlsbad	72.1	93	47	0.10	0.10	1.05	9.36	11.79
Hobbs	65.7	87	49	0.06	0.06	1.49	12.71	15.02
Roswell	70.3	88	48	0.85	0.17	1.19	10.99	11.83
Clayton	57.3	81	39	0.43	0.43	0.90	7.78	14.28
Clovis	62.6	81	40	0.33	0.19	1.34	10.91	16.24
Roy	60.3	74	48	0.00	0.00	1.05	14.03	14.79
Tucumcari	63.4	86	39	0.07	0.04	0.94	12.60	13.39
Chama	45.4	67	19	0.38	0.38	1.96	8.45	18.09
Johnson Ranch	51.9	73	27	0.03	0.03	1.11	6.06	10.16
Capulin	53.2	74	26	T	0.00	0.97	9.73	16.27
Las Vegas	53.9	72	31	0.02	0.02	0.97	8.04	15.82
Los Alamos	53.3	69	28	0.15	0.15	1.32	8.00	16.62
Raton	52.6	76	26	0.01	0.00	0.97	8.76	15.61
Santa Fe	56.1	76	37	0.01	0.01	1.04	6.94	12.58
Red River	45.4	63	24	0.37	0.32	1.46	15.77	18.15
Farmington	51.9	75	34	0.35	0.35	0.85	4.03	7.18
Gallup	49.6	72	24	0.09	0.09	1.29	7.83	10.96
Grants	52.1	75	28	0.00	0.00	1.05	7.01	9.56
Silver City	56.1	81	32	0.00	0.00	1.16	6.53	14.02
Quemado	52.1	76	21	0.05	0.05	1.18	11.38	12.59
Albuquerque	62.3	78	42	T	0.00	0.89	4.98	7.95
Carrizozo	61.9	83	34	0.00	0.00	1.19	8.94	11.31
Gran Quivera	57.9	78	32	0.00	0.00	1.27	9.40	14.01
Moriarty	54.7	78	29	0.05	0.03	1.10	5.25	11.77
Ruidoso	54.9	76	30	0.01	0.00	1.31	13.37	18.84
Socorro	NA	NA	NA	0.00	0.00	1.11	8.25	8.48
Alamogordo	69.5	90	43	0.00	0.00	1.30	5.46	11.21
Animas	64.5	88	33	0.00	0.00	1.15	3.77	9.91
Deming	65.1	88	36	0.01	0.00	0.98	6.10	9.09
T or C	65.9	83	43	T	0.00	0.95	5.22	8.62
Las Cruces	66.6	90	39	0.00	0.00	0.91	4.79	8.19

(T) Trace (-) No Report (*) Correction

All reports based on preliminary data. Precipitation data corrected monthly from official observation forms.

LIVESTOCK, DAIRY, AND POULTRY OUTLOOK

USDA ERS, OCTOBER 2002

Lower Returns Fail To Cut Milk Production: Milk production continues to post sizable increases from the weak levels of a year earlier, despite the lowest returns since the early nineties. Milk cow numbers have generally moved up since late summer-early autumn 2001 and were 0.5 percent above a year earlier by early summer. Meanwhile, gains in milk per cow were below 2 percent and have slackened compared with either last year's level or the longer run trend. Much lower milk prices and higher feed prices probably will put considerable pressure on milk producers during the rest of 2002 and 2003, but may not overcome recent upward production momentum easily or quickly.

Feed prices will be sharply higher during the rest of this year and at least most of next year. Feed grain and soybean crops are much smaller than in 2001, and export markets are expected to stay quite strong. Average concentrate prices are projected to run 10 to 15 percent higher than a year earlier, with prices of some feeds increasing much more.

The alfalfa hay situation is quite mixed. Production is large in the West, and export pressure is lighter. Western dairy producers may be in the best hay position in several years. Production is generally down in the Upper Midwest, although later cuttings were reported to be of average yield and good quality, partially compensating for mediocre early cuttings. However, silage supplies probably will be smaller and poorer, and supplies of Plains hay will be tight for those looking to buy extra hay. Supplies of forage in the Northeast were largely mediocre. Alfalfa hay prices in much of the country are expected to be considerably higher than in recent years.

Much of the recent expansion in milk cow numbers was spurred by generally high returns of the 1996-2001 period and represented completion of new facilities and the delayed filling of barns constructed last year. After almost a year of much lower returns and with the prospect of at least another such year, these expansions likely will start to slow. However, potential for considerable further development remains in many areas, some recent regulatory limitations may be removed, and the heifer shortage may be easing a bit.

Relatively few dairy farms exited recently. Last year's returns left the weaker farms better able to hang on for a while, and the promised direct payment was an incentive to continue at least long enough to sign a Milk Income Loss Contract. However, dairy farm exit is likely to accelerate under the pressure of the expected low

returns. Even for smaller operations, the direct payments will fall far short of compensating for reductions in returns.

Milk cow numbers are expected to start downward this autumn, although they are projected to stay above a year earlier through year-end. Decreases probably will accelerate during 2003, but the annual average is projected to be only about 1 percent below 2002, following a very small increase this year.

Recovery in milk per cow was quite muted even with the earlier quite favorable milk-feed price ratios. Ratios through the end of 2003 are projected to run at levels associated with below trend growth in milk per cow. Combined with spotty forage supplies and quality, any further recovery towards the long-run trends seems unlikely. Milk per cow is expected to increase about 2 percent in 2003, following a 2002 rise of about 2.5 percent.

Dairy Demand Not Yet Back: Even with the increase in milk production slackening to only about 1 percent in 2003, milk prices are not expected to recover significantly. This year's demand sluggishness has been more pervasive and longer lasting than expected and resulted in a significant buildup in commercial stocks. Although demand is projected to resume growth later this year or in early 2003, it probably will require some time for demand to pull down stocks and catch up with output.

The recent period of economic weakness was mild and relatively short. However, a number of sectors continue to face significant adjustments, and the recovery has been inconsistent and somewhat sluggish. In addition, the shocks of the past year seem to have resulted in sizable shifts in consumer spending among product categories. Demand conditions are projected to gradually improve during the rest of the year and in 2003.

Demand has weakened for most dairy products. Sales of butter have shown only small increases in response to much lower prices. Although retail prices have shown a typical lag of wholesale price changes, the prime factor has been retrenching in restaurant demand. Consumers have become more sensitive to menu prices and have shifted to more modest eating places, significantly affecting butter use. Sales of nonfat dry milk have been erratic but averaged lower despite

reduced prices and easy availability. Increases have been forestalled by food processors shifting to whey products, competition from imported milk proteins, and uncertain demand for luxury food products that are more likely to use powder as an ingredient. Sales of fluid milk and most perishable manufactured products continue to languish.

The most prominent demand weakness has been stagnant cheese sales. Typically, cheese sales have grown somewhat even in much more pronounced recessions. Unlike butter, cheese is normally used in both modest and exotic dishes. Most importantly, pizza sales have normally grown through periods of economic weakness. This year, however, most types of pizza sales have struggled. Impromptu snack eating of pizza probably has been significantly affected. Plus, there does not seem to be any real increase in meal consumption of pizza, a pattern that differs considerably from earlier recessions. If pizza sales do not resume growth, recovery in overall cheese demand could be much slower than in similar earlier periods.

When dairy demand resumes growth, it is not expected to bounce back to the extraordinary growth of 1998-2001. Increases similar to the long-run trend, from the reduced base, probably are about all that can be expected given the likely course of the economy. Lower retail prices probably will assist sales, but increases in commercial use are not projected to be dramatic.

Large Supplies To Hold Down Dairy Prices: August 1 commercial stocks were adequate or a little ample for most dairy products. However, extremely heavy holdings of butter pushed total commercial stocks to 12.5 billion pounds (milk equivalent, milkfat basis), up

1.6 billion from the previous record. Cheese stocks were more than the somewhat tight amounts of a year earlier but less than 2 years earlier. The cheese holdings probably were somewhat more than adequate in light of butter stocks, the continuing surplus of skim solids, and sluggish cheese sales. Manufacturers' stocks of nonfat dry milk were actually in fairly good shape for a change, down from both the preceding years.

Price support purchases of nonfat dry milk fell to around 30 million pounds in August, after running quite heavy during most of 2002. The decrease occurred even though removals through the Dairy Export Incentive Program (DEIP) were limited to modest amounts remaining from contracts accepted during the last DEIP contract year. Small amounts of cheese also were purchased in late summer, although cheesemakers generally have been reluctant to sell to the Government.

Wholesale dairy prices may post some seasonal increases in coming months, but such rises are expected to be quite moderate. Butter stocks will remain a major price factor, and these holdings are not likely to be worked off quickly or easily. Prices are projected to stay lackluster well into 2003. If production slows while demand recovers during the year, some price recovery is likely. However, only modest price rebounds currently seem most likely.

Farm milk prices in 2002 are projected to fall an average of almost \$3 per cwt from 2001's strong showing. This would be the largest proportional single-year drop in a half century. Farmers are expected to receive only slightly higher prices in 2003.